



## **DEPARTMENT OF THE TREASURY**

### **Office of the Comptroller of the Currency**

### **FEDERAL RESERVE SYSTEM**

### **FEDERAL DEPOSIT INSURANCE CORPORATION**

#### **Proposed Agency Information Collection Activities; Comment Request**

**AGENCY:** Office of the Comptroller of the Currency (OCC), Treasury; Board of Governors of the Federal Reserve System (Board); and Federal Deposit Insurance Corporation (FDIC).

**ACTION:** Joint notice and request for comment.

**SUMMARY:** In accordance with the requirements of the Paperwork Reduction Act of 1995 (PRA), the OCC, the Board, and the FDIC (the “agencies”) may not conduct or sponsor, and the respondent is not required to respond to, an information collection unless it displays a currently valid Office of Management and Budget (OMB) control number. The Federal Financial Institutions Examination Council (FFIEC), of which the agencies are members, has approved the agencies’ publication for public comment of a proposal to revise and extend the Consolidated Reports of Condition and Income (Call Reports) (FFIEC 031, FFIEC 041, and FFIEC 051) and Regulatory Capital Reporting for Institutions Subject to the Advanced Capital Adequacy Framework (FFIEC 101), which are currently approved collections of information. The FFIEC has also approved the Board’s publication for public comment, on behalf of the agencies, of a proposal to revise and extend the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002) and the Report of Assets and Liabilities of a Non-U.S. Branch that is Managed or Controlled by a U.S. Branch or Agency of a Foreign

(Non-U.S.) Bank (FFIEC 002S), which also are currently approved collections of information. The agencies are requesting comment on revisions to the Call Reports, FFIEC 101, and FFIEC 002 related to interim final rules and a final rule issued in response to disruptions related to the Coronavirus Disease 2019 (COVID-19) that revise the agencies' capital rule, the Board's regulations on reserve requirements and insider loans, and the FDIC's assessments regulations as well as certain sections of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) for which the agencies received emergency approvals from OMB. In addition, the agencies are proposing changes to the Call Report and the FFIEC 002 related to U.S. generally accepted accounting principles (GAAP). Further, the agencies are proposing revisions to the Call Report to reflect the expiration of the temporary exception for estimated disclosures on international remittance transfers and certain amendments to the Remittance Rule recently finalized by the Consumer Financial Protection Bureau (Bureau), which is a member of the FFIEC.

**DATES:** Comments must be submitted on or before **[INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]** .

**ADDRESSES:** Interested parties are invited to submit written comments to any or all of the agencies. All comments, which should refer to the "Call Report, FFIEC 101, and FFIEC 002 Revisions," will be shared among the agencies.

OCC: You may submit comments, which should refer to "Call Report, FFIEC 101, and FFIEC 002 Revisions," by any of the following methods:

- Email: [prainfo@occ.treas.gov](mailto:prainfo@occ.treas.gov).

- Mail: Chief Counsel's Office, Office of the Comptroller of the Currency, Attention: 1557-0081 and 1557-0239, 400 7th Street, SW, suite 3E-218, Washington, DC 20219.

- Hand Delivery/Courier: 400 7th Street, SW, suite 3E-218, Washington, DC 20219.

Instructions: You must include "OCC" as the agency name and "1557-0081 and 1557-0239" in your comment. In general, the OCC will publish comments on *www.reginfo.gov* without change, including any business or personal information provided, such as name and address information, e-mail addresses, or phone numbers. Comments received, including attachments and other supporting materials, are part of the public record and subject to public disclosure. Do not include any information in your comment or supporting materials that you consider confidential or inappropriate for public disclosure.

You may review comments and other related materials that pertain to this information collection beginning on the date of publication of the second notice for this collection by the following method:

- Viewing Comments Electronically: Go to *www.reginfo.gov*. Click on the "Information Collection Review" tab. Underneath the "Currently under Review" section heading, from the drop-down menu select "Department of Treasury" and then click "submit." This information collection can be located by searching by OMB control number "1557-0081" or "1557-0239." Upon finding the appropriate information collection, click on the related "ICR Reference Number." On the next screen, select "View Supporting Statement and Other Documents" and then click on the link to any comment listed at the bottom of the screen.

- For assistance in navigating *www.reginfo.gov*, please contact the Regulatory Information Service Center at (202) 482-7340.

Board: You may submit comments, which should refer to “Call Report, FFIEC 101, and FFIEC 002 Revisions,” by any of the following methods:

- Agency website: <http://www.federalreserve.gov>. Follow the instructions for submitting comments at:  
<http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm>.
- Email: [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov). Include “Call Report, FFIEC 101, and FFIEC 002 Revisions” in the subject line of the message.
- Fax: (202) 452-3819 or (202) 452-3102.
- Mail: Ann E. Misback, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, NW, Washington, DC 20551.

All public comments are available on the Board’s website at <https://www.federalreserve.gov/apps/foia/proposedregs.aspx> as submitted, unless modified for technical reasons. Accordingly, your comments will not be edited to remove any identifying or contact information.

FDIC: You may submit comments, which should refer to “Call Report, FFIEC 101, and FFIEC 002 Revisions,” by any of the following methods:

- Agency Website: <https://www.fdic.gov/regulations/laws/federal/>. Follow the instructions for submitting comments on the FDIC’s website.
- Federal eRulemaking Portal: <https://www.regulations.gov>. Follow the instructions for submitting comments.

- Email: [comments@FDIC.gov](mailto:comments@FDIC.gov). Include “Call Report, FFIEC 101, and FFIEC 002 Revisions” in the subject line of the message.
- Mail: Manuel E. Cabeza, Counsel, Attn: Comments, Room MB-3128, Federal Deposit Insurance Corporation, 550 17th Street, NW, Washington, DC 20429.
- Hand Delivery: Comments may be hand delivered to the guard station at the rear of the 550 17th Street Building (located on F Street) on business days between 7:00 a.m. and 5:00 p.m.
- Public Inspection: All comments received will be posted without change to <https://www.fdic.gov/regulations/laws/federal/> including any personal information provided. Paper copies of public comments may be requested from the FDIC Public Information Center by telephone at (877) 275-3342 or (703) 562-2200.

Additionally, commenters may send a copy of their comments to the OMB desk officers for the agencies by mail to the Office of Information and Regulatory Affairs, U.S. Office of Management and Budget, New Executive Office Building, Room 10235, 725 17th Street, NW, Washington, DC 20503; by fax to (202) 395-6974; or by email to [oir\\_submission@omb.eop.gov](mailto:oir_submission@omb.eop.gov).

**FOR FURTHER INFORMATION CONTACT:** For further information about the proposed revisions to the information collections discussed in this notice, please contact any of the agency staff whose names appear below. In addition, copies of the report forms for the Call Reports, FFIEC 101, FFIEC 002, and FFIEC 002S can be obtained at the FFIEC’s website ([https://www.ffiec.gov/ffiec\\_report\\_forms.htm](https://www.ffiec.gov/ffiec_report_forms.htm)).

OCC: Kevin Korzeniewski, Counsel, Chief Counsel’s Office, (202) 649-5490, or for persons who are deaf or hearing impaired, TTY, (202) 649-5597.

*Board:* Nuha Elmaghrabi, Federal Reserve Board Clearance Officer, (202) 452-3884, Office of the Chief Data Officer, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551. Telecommunications Device for the Deaf (TDD) users may call (202) 263-4869.

*FDIC:* Manuel E. Cabeza, Counsel, (202) 898-3767, Legal Division, Federal Deposit Insurance Corporation, 550 17th Street, NW, Washington, DC 20429.

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**I. Affected Reports**

The proposed changes discussed below affect the Call Reports, FFIEC 101, and FFIEC 002.

**A. Call Reports**

The agencies propose to extend for three years, with revision, the FFIEC 031, FFIEC 041, and FFIEC 051 Call Reports.

*Report Title:* Consolidated Reports of Condition and Income (Call Report).

*Form Number:* FFIEC 031 (Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices), FFIEC 041 (Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only), and FFIEC 051 (Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only and Total Assets Less Than \$5 Billion).

*Frequency of Response:* Quarterly.

*Affected Public:* Business or other for-profit.

*Type of Review:* Revision and extension of currently approved collections.

**OCC:**

*OMB Control No.: 1557-0081.*

*Estimated Number of Respondents: 1,136 national banks and federal savings associations.*

*Estimated Average Burden per Response: 42.56 burden hours per quarter to file.*

*Estimated Total Annual Burden: 193,393 burden hours to file.*

**Board:**

*OMB Control No.: 7100-0036.*

*Estimated Number of Respondents: 756 state member banks.*

*Estimated Average Burden per Response: 45.43 burden hours per quarter to file.*

*Estimated Total Annual Burden: 137,380 burden hours to file.*

**FDIC:**

*OMB Control No.: 3064-0052.*

*Estimated Number of Respondents: 3,335 insured state nonmember banks and state savings associations.*

*Estimated Average Burden per Response: 40.62 burden hours per quarter to file.*

*Estimated Total Annual Burden: 541,871 burden hours to file.*

The estimated average burden hours collectively reflect the estimates for the FFIEC 051, the FFIEC 041, and the FFIEC 031 reports for each agency. In the agencies' most recently published Federal Register notice for the submission of Call Report revisions for OMB review, the estimated burden hours per quarter for each agency for the Call Report information collection (based on the data reported by the institutions under each agency's supervision as of September 30, 2019) were 41.24 hours for the OCC,



44.45 hours for the Board, and 39.43 hours for the FDIC.<sup>1</sup> In connection with the agencies' emergency clearance requests that were submitted to, and approved by, OMB in the second quarter of 2020 for the COVID-19-related Call Report revisions outlined in Sections II.A and II.B, below, these estimates were adjusted based on Call Report data reported as of December 31, 2019, before estimating that these revisions would produce an increase of approximately 0.92 burden hours per quarter for each of the three versions of the Call Report. The estimated burden hours per quarter by agency for the Call Report as currently approved by OMB, i.e., in response to the agencies' emergency clearance requests, are 42.20 hours for the OCC, 45.07 hours for the Board, and 40.26 hours for the FDIC. The Call Report revisions proposed in this notice related to U.S. GAAP and international remittance transfers would represent a further increase in estimated average burden hours per quarter by agency of 0.36 hours.

When the estimates are calculated by type of report across the agencies, the estimated average burden hours per quarter are 37.98 (FFIEC 051), 51.39 (FFIEC 041), and 96.68 (FFIEC 031). The estimated burden hours for the currently approved reports are 37.62 (FFIEC 051), 51.02 (FFIEC 041), and 96.30 (FFIEC 031), so the revisions proposed in this notice related to U.S. GAAP and international remittance transfers would represent an increase in estimated average burden hours per quarter by type of report of 0.36 (FFIEC 051), 0.37 (FFIEC 041), and 0.38 (FFIEC 031).

The estimated burden per response for the quarterly filings of the Call Report is an average that varies by agency because of differences in the composition of the institutions under each agency's supervision (e.g., size distribution of institutions, types

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<sup>1</sup> 85 FR 4780 (January 27, 2020).

of activities in which they are engaged, and existence of foreign offices).

*Type of Review:* Extension and revision of currently approved collections.

### **Legal Basis and Need for Collections**

The Call Report information collections are mandatory: 12 U.S.C. 161 (national banks), 12 U.S.C. 324 (state member banks), 12 U.S.C. 1817 (insured state nonmember commercial and savings banks), and 12 U.S.C. 1464 (federal and state savings associations). At present, except for selected data items and text, these information collections are not given confidential treatment.

Banks and savings associations submit Call Report data to the agencies each quarter for the agencies' use in monitoring the condition, performance, and risk profile of individual institutions and the industry as a whole. Call Report data serve a regulatory or public policy purpose by assisting the agencies in fulfilling their shared missions of ensuring the safety and soundness of financial institutions and the financial system and protecting consumer financial rights, as well as agency-specific missions affecting national and state-chartered institutions, such as conducting monetary policy, ensuring financial stability, and administering federal deposit insurance. Call Reports are the source of the most current statistical data available for identifying areas of focus for on-site and off-site examinations. Among other purposes, the agencies use Call Report data in evaluating institutions' corporate applications, including interstate merger and acquisition applications for which the agencies are required by law to determine whether the resulting institution would control more than 10 percent of the total amount of deposits of insured depository institutions in the United States. Call Report data also are

used to calculate institutions' deposit insurance assessments and national banks' and federal savings associations' semiannual assessment fees.

## **B. FFIEC 101**

The agencies propose to extend for three years, with revision, the FFIEC 101 report.

*Report Title:* Risk-Based Capital Reporting for Institutions Subject to the Advanced Capital Adequacy Framework.

*Form Number:* FFIEC 101.

*Frequency of Response:* Quarterly.

*Affected Public:* Business or other for-profit.

### **OCC:**

*OMB Control No.:* 1557-0239.

*Estimated Number of Respondents:* 5 national banks and federal savings associations.

*Estimated Time per Response:* 674 burden hours per quarter to file for banks and federal savings associations.

*Estimated Total Annual Burden:* 13,480 burden hours to file.

### **Board:**

*OMB Control No.:* 7100-0319.

*Estimated Number of Respondents:* 4 state member banks;

5 bank holding companies and savings and loan

holding companies that complete Supplementary

Leverage Ratio (SLR) Tables 1 and 2 only;

9 other bank holding companies and savings and

loan holding companies; and

6 intermediate holding companies.

*Estimated Time per Response:* 674 burden hours per quarter to file for state member

banks;

3 burden hours per quarter to file for bank holding companies and savings and loan holding companies that complete Supplementary Leverage Ratio (SLR) Tables 1 and 2 only;

677 burden hours per quarter to file for other bank holding companies and savings and loan holding companies; and

3 burden hours per quarter to file for intermediate holding companies.

*Estimated Total Annual Burden:* 10,784 burden hours for state member banks to file;

60 burden hours for bank holding companies and savings and loan holding companies that complete Supplementary Leverage Ratio (SLR) Tables 1 and 2 only to file;

24,372 burden hours for other bank holding companies and savings and loan holding companies to file; and 72 burden hours for intermediate holding companies to file.

**FDIC:**

*OMB Control No.:* 3064-0159.

*Estimated Number of Respondents:* 1 insured state nonmember bank and state savings association.

*Estimated Time per Response:* 674 burden hours per quarter to file.

*Estimated Total Annual Burden:* 2,696 burden hours to file.

*Type of Review:* Extension and revision of currently approved collections.

### **Legal Basis and Need for Collections**

Each advanced approaches institution<sup>2</sup> is required to report quarterly regulatory capital data on the FFIEC 101. Each top-tier advanced approaches institution and top-tier Category III institution<sup>3</sup> is required to report supplementary leverage ratio information on the FFIEC 101. The FFIEC 101 information collections are mandatory for advanced approaches and top-tier Category III institutions: 12 U.S.C. 161 (national banks), 12 U.S.C. 324 (state member banks), 12 U.S.C. 1844(c) (bank holding companies), 12 U.S.C. 1467a(b) (savings and loan holding companies), 12 U.S.C. 1817 (insured state nonmember commercial and savings banks), 12 U.S.C. 1464 (federal and state savings associations), and 12 U.S.C. 1844(c), 3106, and 3108 (intermediate holding companies). Certain data items in this information collection are given confidential treatment under 5 U.S.C. 552(b)(4) and (8).

The agencies use data reported in the FFIEC 101 to assess and monitor the levels and components of each reporting entity's applicable capital requirements and the

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<sup>2</sup> 12 CFR 3.100(b) (OCC); 12 CFR 217.100(b) (Board); 12 CFR 324.100(b) (FDIC).

<sup>3</sup> 12 CFR 3.2 (OCC); 12 CFR 217.2 (Board); 12 CFR 324.2 (FDIC).

adequacy of the entity's capital under the Advanced Capital Adequacy Framework<sup>4</sup> and the supplementary leverage ratio,<sup>5</sup> as applicable; to evaluate the impact of the Advanced Capital Adequacy Framework and the supplementary leverage ratio, as applicable, on individual reporting entities and on an industry-wide basis and its competitive implications; and to supplement on-site examination processes. The reporting schedules also assist advanced approaches institutions and top-tier Category III institutions in understanding expectations relating to the system development necessary for implementation and validation of the Advanced Capital Adequacy Framework and the supplementary leverage ratio, as applicable. Submitted data that are released publicly will also provide other interested parties with additional information about advanced approaches institutions' and top-tier Category III institutions' regulatory capital.

### **C. FFIEC 002 and 002S**

The Board proposes to extend for three years, with revision, the FFIEC 002 and FFIEC 002S reports.

*Report Titles:* Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks; Report of Assets and Liabilities of a Non-U.S. Branch that is Managed or Controlled by a U.S. Branch or Agency of a Foreign (Non-U.S.) Bank

*Form Numbers:* FFIEC 002; FFIEC 002S

*OMB control number:* 7100-0032

*Frequency of Response:* Quarterly

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<sup>4</sup> 12 CFR part 3, subpart E (OCC); 12 CFR part 217, subpart E (Board); 12 CFR part 324, subpart E (FDIC).

<sup>5</sup> 12 CFR 3.10(c)(4) (OCC); 12 CFR 217.10(c)(4) (Board); 12 CFR 324.10(c)(4) (FDIC).

*Affected Public:* Business or other for-profit

*Respondents:* All state-chartered or federally-licensed U.S. branches and agencies of foreign banking organizations, and all non-U.S. branches managed or controlled by a U.S. branch or agency of a foreign banking organization

*Estimated Number of Respondents:* FFIEC 002 – 209; FFIEC 002S – 38

*Estimated Average Burden per Response:* FFIEC 002 – 24.87 hours; FFIEC 002S – 6.0 hours

*Estimated Total Annual Burden:* FFIEC 002 – 20,791 hours; FFIEC 002S – 912 hours

*Type of Review:* Revision of currently approved collections.

### **Legal Basis and Need for Collection**

On a quarterly basis, all U.S. branches and agencies of foreign banks are required to file the FFIEC 002, which is a detailed report of condition with a variety of supporting schedules. This information is used to fulfill the supervisory and regulatory requirements of the International Banking Act of 1978. The data are also used to augment the bank credit, loan, and deposit information needed for monetary policy and other public policy purposes. The FFIEC 002S is a supplement to the FFIEC 002 that collects information on assets and liabilities of any non-U.S. branch that is managed or controlled by a U.S. branch or agency of the foreign bank. A non-U.S. branch is managed or controlled by a U.S. branch or agency if a majority of the responsibility for business decisions, including but not limited to decisions with regard to lending or asset management or funding or liability management, or the responsibility for recordkeeping in respect of assets or liabilities for that foreign branch resides at the U.S. branch or agency. A separate FFIEC 002S must be completed for each managed or controlled non-U.S. branch. The

FFIEC 002S must be filed quarterly along with the U.S. branch or agency's FFIEC 002.

These information collections are mandatory (12 U.S.C. 3105(c)(2), 1817(a)(1) and (3), and 3102(b)). Except for select sensitive items, the FFIEC 002 is not given confidential treatment; the FFIEC 002S is given confidential treatment (5 U.S.C. 552(b)(4) and (8)). The data from both reports are used for (1) monitoring deposit and credit transactions of U.S. residents; (2) monitoring the impact of policy changes; (3) analyzing structural issues concerning foreign bank activity in U.S. markets; (4) understanding flows of banking funds and indebtedness of developing countries in connection with data collected by the International Monetary Fund and the Bank for International Settlements that are used in economic analysis; and (5) assisting in the supervision of U.S. offices of foreign banks. The Federal Reserve System collects and processes these reports on behalf of all three agencies.

## **II. Current Actions**

### **A. Regulation-Related Revisions**

From March through June 2020, in response to the impact on the financial markets and the strains on the U.S. economy as a result of COVID-19, the agencies published in the *Federal Register* numerous interim final rules to make certain changes to their regulatory capital and liquidity rules to support prudent lending by banking organizations and facilitate banking organizations' use of the Board's emergency facilities. These revisions primarily affect the instructions for the calculation of certain amounts reported on Schedule RC-R, Regulatory Capital, and apply to the three versions of the Call Report (FFIEC 031, FFIEC 041, and FFIEC 051) and for the calculation of certain amounts reported on Schedule A, Advanced Approaches Regulatory Capital, on



the FFIEC 101. Certain revisions also involve the addition of new data items to Call Report Schedule RC-M, Memoranda. In addition, the Board made revisions to its Regulation D (12 CFR 204) that affect the reporting of deposit liabilities on Call Report Schedule RC-E, Deposit Liabilities, and FFIEC 002, Schedule E, Deposit Liabilities and Credit Balances, and issued an interim final rule that provides a certain exception to the reporting of extensions of credit to insiders on Call Report Schedule RC-M, required by section 22(h) of the Federal Reserve Act and the corresponding provisions of the Board's Regulation O (12 CFR 215). The FDIC proposed and subsequently adopted revisions to its deposit insurance assessment rules that require the collection of new data items on Call Report Schedule RC-M and FFIEC 002 Schedule O, Other Data for Deposit Insurance Assessments.

The agencies requested and received emergency approvals on April 3, 2020, from OMB to implement revisions to the Call Report and FFIEC 101 that took effect beginning with the March 31, 2020, report date. Subsequently, the agencies requested and received emergency approvals on May 27, 2020, from OMB to implement revisions to the Call Report, FFIEC 101, and FFIEC 002 that take effect beginning with the June 30, 2020, report date. The Board requested and received emergency approvals on June 8, 2020, and July 8, 2020, from OMB to implement further revisions to the FFIEC 002 that take effect beginning with the June 30, 2020, and September 30, 2020, report dates, respectively. The agencies are requesting comment on whether there should be any further changes to the items or instructions developed by the agencies to implement the revisions for which emergency approvals were received from OMB, and in regard to the Board Regulation D amendments, on whether to adopt proposed revisions to the Call

Report and the FFIEC 002 to remove a reporting option that was implemented by the emergency approvals and could result in the collection of ambiguous data.

Further, the agencies have requested comment in connection with each of the interim final rules described below. If modifications are made to the associated final rules, the agencies would modify the information collection revisions in this proposal to incorporate such changes.

## **1. Definition of Eligible Retained Income**

Under the capital rule, a banking organization must maintain a minimum amount of regulatory capital. In addition, a banking organization must maintain a buffer of regulatory capital above its minimum capital requirements to avoid restrictions on capital distributions and discretionary bonus payments. The agencies intend for the buffer requirements to limit the ability of banking organizations to distribute capital in the form of dividends and discretionary bonus payments and therefore strengthen the ability of banking organizations to continue lending and conducting other financial intermediation activities during stress periods. The agencies are concerned, however, that the existing calculation method could lead to sudden and severe distribution limits if such banking organizations were to experience even a modest reduction in their capital ratios.

Therefore, the agencies adopted an interim final rule<sup>6</sup> on March 20, 2020, that revises the definition of eligible retained income (ERI). By modifying the definition of ERI and thereby allowing banking organizations to more freely use their capital buffers, this interim final rule should help to promote lending activity and other financial

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<sup>6</sup> 85 FR 15909 (March 20, 2020).

intermediation activities by banking organizations and avoid compounding disruptions due to COVID-19.

### *Call Report Revisions*

The instructions for Schedule RC-R, Part I, item 53, “Eligible retained income,” have been revised to incorporate the revisions reflected in the ERI interim final rule. Beginning with the March 31, 2020, report date, institutions that are required to report amounts in item 53 should report the greater of (1) an institution’s net income for the four preceding calendar quarters, net of any distributions and associated tax effects not already reflected in net income, and (2) the average of an institution’s net income over the four preceding calendar quarters.

## **2. Money Market Mutual Fund Liquidity Facility**

To enhance the liquidity and functioning of money markets, the Federal Reserve Bank of Boston (FRBB) launched the Money Market Mutual Fund Liquidity Facility, or MMLF, on March 18, 2020.<sup>7</sup> On March 23, 2020, the agencies published an interim final rule, which permits banking organizations to exclude from regulatory capital requirements exposures related to the MMLF (MMLF interim final rule).<sup>8</sup>

The MMLF interim final rule modifies the agencies’ capital rule to allow banking organizations to neutralize the effects of purchasing assets from money market mutual funds under the MMLF on their risk-based and leverage capital ratios. This treatment extends to the community bank leverage ratio. Specifically, a banking organization may exclude from its total leverage exposure, average total consolidated assets, standardized

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<sup>7</sup> See <https://www.federalreserve.gov/newsevents/pressreleases/monetary20200318a.htm>.

<sup>8</sup> 85 FR 16232.

total risk-weighted assets, and advanced approaches total risk-weighted assets, as applicable, any exposure acquired from an eligible money market mutual fund pursuant to a non-recourse loan under the MMLF and pledged to the FRBB. The MMLF interim final rule applies only to activities under the MMLF. The facility is scheduled to terminate on September 30, 2020, unless the facility is extended by the Board.

Consistent with U.S. GAAP, the agencies would expect banking organizations to report assets purchased from money market mutual funds under the MMLF on their balance sheets. To be eligible collateral for pledging to the FRBB, assets must be purchased from an eligible money market mutual fund at either the seller's amortized cost or fair value. Thereafter, banking organizations would subsequently measure the assets at amortized cost or fair value depending on the asset category in which the assets are reported on their balance sheets. The non-recourse nature of the transaction through the MMLF would impact the valuation of the liability to the FRBB. After reflecting any appropriate discounts on the assets purchased and the associated liabilities, organizations are not expected to report any material net gains or losses (if any) at the time of purchase. Any discounts generally would be accreted over time into income and expense.

On May 12, 2020, the FDIC approved a proposed rule modifying its deposit insurance assessment rules to mitigate the effects of participation in the MMLF on insured depository institutions (IDIs).<sup>9</sup> The proposed changes would remove the effect of participation in the MMLF program on certain adjustments to an IDI's assessment rate, provide an offset to an IDI's assessment for the increase to its assessment base

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<sup>9</sup> 85 FR 30649 (May 20, 2020). As discussed in Section II.A.5 below, the FDIC's proposed rule also would modify its deposit insurance assessment rules to mitigate the effects of participation in the Paycheck Protection Program and the Paycheck Protection Program Liquidity Facility on IDIs.

attributable to participation in the MMLF, and remove the effect of participation in the MMLF program when classifying IDIs as small, large, or highly complex for assessment purposes. On June 26, 2020, the FDIC published a final rule that mitigates the deposit insurance assessment effects of participating in the MMLF program on IDIs as proposed.<sup>10</sup>

### *Call Report Revisions*

Starting with the March 31, 2020, report date, banking organizations that file Call Reports would include their holdings of assets purchased from money market mutual funds under the MMLF in the appropriate asset category on Schedule RC, Balance Sheet, and Schedule RC-R, Regulatory Capital. On Schedule RC, banking organizations would report negotiable certificates of deposit not held for trading in item 1.b, held-to-maturity securities in item 2.a, available-for-sale (AFS) securities in item 2.b, and negotiable certificates of deposit and securities held for trading in item 5, as appropriate.<sup>11</sup> For regulatory capital reporting purposes, the balance sheet amounts of assets purchased through the MMLF would be reported in both Column A (Totals From Schedule RC) and Column C (0% risk-weight category) of the corresponding balance sheet asset categories of Schedule RC-R, Part II (i.e., in items 1, 2.a, 2.b, and 7, respectively).<sup>12</sup>

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<sup>10</sup> 85 FR 38282 (June 26, 2020). See also Section II.A.5 below.

<sup>11</sup> In addition, held-to-maturity and available-for-sale securities would be reported by securities category in Schedule RC-B, Securities, and as pledged securities in Memorandum item 1 of this schedule on all three versions of the Call Report. Negotiable certificates of deposit and securities held for trading would be reported by asset category in Schedule RC-D, Trading Assets and Liabilities, by institutions required to complete this schedule on the FFIEC 031 and the FFIEC 041. Securities held for trading also would be reported as pledged securities in Schedule RC-D, Memorandum item 4.a, on the FFIEC 031.

<sup>12</sup> Reporting in Schedule RC-R, Part II, applies only to institutions that do not have a community bank leverage ratio framework election in effect as of the quarter-end report date, as reported in Schedule RC-R, Part I, item 31.a.

If a consolidated broker-dealer subsidiary of an institution that files Call Reports has purchased assets from money market mutual funds under the MMLF that the institution reports as “Other assets” on its consolidated balance sheet for financial reporting purposes, the institution should also report these assets in Schedule RC, Balance Sheet, item 11, “Other assets.” Further, for risk-based capital reporting purposes, if applicable, the parent institution of the broker-dealer should report these assets in Column A (Totals From Schedule RC) and Column C (0% risk-weight category) of Schedule RC-R, Part II, item 8, “All other assets.”

The quarterly average of an institution’s holdings of assets purchased from money market mutual funds under the MMLF, including those purchased by a consolidated broker-dealer subsidiary of the institution, would be included as a deduction in Schedule RC-R, Part I, item 29, “LESS: Other deductions from (additions to) assets for leverage ratio purposes,” and thus excluded from Schedule RC-R, Part I, item 30, “Total assets for the leverage ratio.”

Borrowings from the FRBB would be included in Schedule RC, item 16, “Other borrowed money,” and included in Schedule RC-M, items 5.b.(1)(a), Other borrowings with a remaining maturity or next repricing date of “One year or less,” 5.b.(2), “Other borrowings with a remaining maturity of one year or less,” and 10.b, “Amount of ‘Other borrowings’ that are secured.”

Starting with the June 30, 2020, report date, banking organizations that file Call Reports would report the outstanding balance of assets purchased under the MMLF program in new item 18.a on Schedule RC-M and the quarterly average amount outstanding of assets purchased under the MMLF that were excluded from Schedule

RC-R, Part I, item 30, “Total assets for the leverage ratio,” in new item 18.b on Schedule RC-M. The amounts reported in these items would include assets purchased by a consolidated broker-dealer subsidiary. These new items would enable the agencies to monitor the impact of the MMLF interim final rule on a banking organization’s leverage ratio and, if applicable, its risk-weighted assets. In addition, the FDIC would use these new items to implement the modifications to its deposit insurance assessment rules to mitigate the effects of participation in the MMLF on IDIs.

The collection of the two new Schedule RC-M data items related to the MMLF program is expected to be time-limited. The agencies plan to propose to discontinue the collection of each item once the aggregate industry activity has diminished to a point where individual institution information is of limited practical utility and is no longer needed for deposit insurance assessment purposes, where applicable.<sup>13</sup>

Institutions subject to the supplementary leverage ratio requirement would report their adjusted “Total leverage exposure” and “Supplementary leverage ratio” in Schedule RC-R, Part I, items 55.a and 55.b, respectively. These institutions would adjust their existing calculations of “Total leverage exposure” by excluding assets purchased from money market funds under the MMLF. The instructions for item 55.a would be revised to state that institutions should measure their total leverage exposure in accordance with section 10(c)(4) of the regulatory capital rules and section 302 of these rules for exposures related to the MMLF.

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<sup>13</sup> These new items will be reviewed in connection with the statutorily mandated review of the Call Report that the agencies must complete by year-end 2022. Per Section 604 of the Financial Services Regulatory Relief Act of 2006, the agencies must conduct a review of the information and schedules collected on the Call Report every five years with the purpose of reducing or eliminating requirements that are no longer necessary or appropriate.

### *FFIEC 101 Revisions*

Starting with the March 31, 2020, report date, advanced approaches banking organizations should not include assets purchased from money market funds under the MMLF in the “Total risk-weighted assets” reported in the FFIEC 101, Schedule A, item 60, or, for advanced approaches banking organizations that file Call Reports, in Schedule RC-R, Part I, item 48.b. For banking organizations subject to the supplementary leverage ratio requirement that file the FFIEC 101, assets purchased from money market funds under the MMLF would receive similar treatment as under the “leverage ratio” and should be reported in the FFIEC 101, Schedule A, SLR Tables. The outstanding balance of these assets would continue to be reported in SLR Table 1, item 1.1, “Total consolidated assets as reported in published financial statements,” and Table 2, item 2.1, “The balance sheet carrying value of all on-balance sheet assets.” The average amount of these assets calculated as of each day of the reporting quarter also would be reported in SLR Table 1, item 1.7.c, “Adjustments for deductions of qualifying central bank deposits for custodial banking organizations,” and in SLR Table 2, item 2.2.b, “Deductions of qualifying central bank deposits from total on-balance sheet exposures for custodial banking organizations,” even if a banking organization is not a custodial banking organization. Banking organizations subject to the supplementary leverage ratio requirement that file Call Reports would report their adjusted “Total leverage exposure” and “Supplementary leverage ratio” in Schedule RC-R, Part I, items 55.a and 55.b.

### *FFIEC 002 Revisions*



In connection with the FDIC's deposit insurance assessments final rule, starting with the FFIEC 002 report as of June 30, 2020, FDIC-insured branches would be required to separately report in Schedule O, Memorandum item 7, the quarterly average amount outstanding of assets purchased from money market funds under the MMLF with the collection of this item expected to be time-limited. The agencies plan to propose to discontinue the collection of this item once individual institution information is no longer needed for deposit insurance assessment purposes.<sup>14</sup>

### **3. 5-Year 2020 CECL Transition Provision**

The instructions for certain items in Call Report Schedule RC-R, Parts I and II, and the FFIEC 101 have been revised effective as of the March 31, 2020, report date to incorporate revisions reflected in the interim final rule, *Regulatory Capital Rule: Revised Transition for the Current Expected Credit Losses Methodology for Allowances*, published in the Federal Register on March 27, 2020 (CECL interim final rule).<sup>15</sup> This interim final rule provides institutions that were required to adopt the current expected credit losses methodology (CECL) for accounting purposes during the 2020 calendar year with the option to delay for two years the estimated impact of CECL on regulatory capital, followed by a three-year transition period to phase out the aggregate amount of the capital benefit provided during the initial two-year delay (i.e., a five-year transition, in total). The CECL interim final rule does not replace the current CECL transition option in the agencies' capital rule, which was adopted in 2019 and allows banking

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<sup>14</sup> Findings from the statutorily mandated review of the Call Report will also be used for evaluating the FFIEC 002 new items. See footnote 13.

<sup>15</sup> 85 FR 17723. The agencies published a correcting amendment in the Federal Register on May 19, 2020 (85 FR 29839).

organizations to phase in over a three-year period the day-one effects on regulatory capital that may result from the adoption of CECL (2019 CECL rule).<sup>16</sup> This transition option remains available to institutions that adopt CECL. Thus, institutions required to adopt CECL in 2020, including those that began reporting in accordance with CECL in their first quarter 2020 regulatory reports, have the option to elect the three-year transition option contained in the 2019 CECL rule or the five-year CECL transition option contained in the CECL interim final rule, beginning with the Call Report and, if applicable, the FFIEC 101 for the March 31, 2020, report date or such later report date in 2020 as of which institutions first report in accordance with CECL. *Call Report Revisions*

The agencies have revised the Call Report Schedule RC-R instructions for the following items in Part I of the schedule to enable institutions that elect the five-year CECL transition option to report their regulatory capital data in accordance with the CECL interim final rule:

- Item 2, “Retained earnings,”
- Item 15 on the FFIEC 041 and FFIEC 051 and items 15.a and 15.b on the FFIEC 031, for certain deferred tax assets arising from temporary differences that exceed an institution’s applicable common equity tier 1 capital deduction threshold,
- Item 27, “Average total consolidated assets,”
- Item 42 on the FFIEC 041 and FFIEC 051 and item 42.a on the FFIEC 031, for the amount of adjusted allowances for credit losses includable in tier 2 capital,
- Item 42.b on the FFIEC 31, “Eligible credit reserves includable in tier 2 capital,” and
- Item 55.a on the FFIEC 031 and FFIEC 041, “Total leverage exposure.”

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<sup>16</sup> 84 FR 4222 (February 14, 2019).

The instructions for Schedule RC-R, Part II, item 8, “All other assets,” also have been revised to account for the five-year CECL transition option.

In addition, beginning with the June 30, 2020, Call Report, Schedule RC-R, Part I, item 2.a, “Does your institution have a CECL transition election in effect as of the quarter-end report date? (enter “1” for Yes; enter “0” for No.),” will be revised to allow institutions that have adopted CECL to choose from among three entries rather than the current two entries. An institution that has adopted CECL will choose from the following CECL transition election entries: “0” for adopted CECL with no transition election; “1” for a 3-year CECL transition election; and “2” for a 5-year 2020 CECL transition election. An institution that has not adopted CECL will continue to leave item 2.a blank.

#### *FFIEC 101 Revisions*

The agencies have revised the FFIEC 101 instructions for the following items in Schedule A to enable advanced approaches institutions and top-tier Category III institutions that elect the five-year CECL transition option to report their regulatory capital data in accordance with the CECL interim final rule:

- Item 2, “Retained earnings,”
- Item 21, “DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold,”
- Item 50, “Eligible credit reserves includable in Tier 2 capital,” and
- SLR Table 1, Item 1.8, and Table 2, Item 2.21, “Total leverage exposure.”

#### **4. Community Bank Leverage Ratio**

Section 4012 of the CARES Act required the agencies to reduce the community bank leverage ratio (CBLR) requirement to 8 percent and provide a qualifying community banking organization whose leverage ratio falls below this community bank leverage ratio requirement a reasonable grace period to satisfy this requirement. Section 4012 also required that these CBLR changes be effective for a temporary period ending on the earlier of the termination date of the national emergency concerning the COVID-19 outbreak declared by the President on March 13, 2020, under the National Emergencies Act (National Emergency) or December 31, 2020. The agencies implemented the requirements of Section 4012 through an interim final rule.<sup>17</sup> To provide further clarity around the possible end date of the statutory relief, the agencies also issued an interim final rule extending relief for the 8 percent leverage ratio for the remainder of 2020, providing relief through an 8.5 percent leverage ratio in 2021, and resuming the previous 9 percent leverage ratio in 2022.<sup>18</sup> Neither interim final rule changed the methodology for calculating the CBLR, merely the qualifying ratio for an institution to report as a CBLR bank.

There are no substantive Call Report revisions associated with the revised CBLR ratio. However, it is possible that some additional institutions that are now eligible CBLR banks under the lower ratio may choose to use the less burdensome regulatory capital reporting for CBLR banks on Schedule RC-R. At this time, the agencies cannot reliably estimate the number of institutions that might use the CBLR framework for regulatory capital reporting in the second quarter of 2020 under the reduced ratio.

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<sup>17</sup> 85 FR 22924 (April 23, 2020).

<sup>18</sup> 85 FR 22930 (April 23, 2020).

However, the agencies plan to revise the burden estimates after more data are available on institutions' use of the CBLR framework.

## **5. Paycheck Protection Program (PPP) Loans and Liquidity Facility (PPPLF)**

Section 1102 of the CARES Act allows banking organizations to make loans under the PPP of the U.S. Small Business Administration (SBA) in connection with COVID-19 disruptions to small businesses. Although the PPP loans are funded by lenders, the loans receive a guarantee from the SBA. The statute specified that these PPP loans should receive a zero percent risk weight for regulatory capital purposes. The Board subsequently established a liquidity facility, the PPPLF, to extend non-recourse loans to eligible financial institutions to fund PPP loans pledged to the PPPLF and thereby provide additional liquidity to these institutions.<sup>19</sup>

On April 13, 2020, the agencies published an interim final rule with an immediate effective date, which permits banking organizations to exclude from regulatory capital requirements PPP loans pledged to the PPPLF.<sup>20</sup> This interim final rule modifies the agencies' capital rule to allow banking organizations to neutralize the effects on their risk-based capital and leverage ratios of making PPP loans that are pledged under the Board's liquidity facility. Specifically, a banking organization may exclude from its total leverage exposure, average total consolidated assets, standardized total risk-weighted assets, and advanced approaches total risk-weighted assets, as applicable, any exposure from a PPP loan pledged to the Board's liquidity facility. The interim final rule also codified the statutory zero percent risk weight for PPP loans.

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<sup>19</sup> See <https://www.federalreserve.gov/newsevents/pressreleases/monetary20200406a.htm> and <https://www.federalreserve.gov/newsevents/pressreleases/monetary20200416a.htm>.

<sup>20</sup> 80 FR 20387 (April 13, 2020).

On May 12, 2020, the FDIC approved a proposed rule modifying its deposit insurance assessment rules to mitigate the effects of participation in the PPP and the PPPLF on IDIs.<sup>21</sup> The proposed changes would remove the effect of participation in the PPP and PPPLF on various risk measures used to calculate an IDI's assessment rate, remove the effect of participation in the PPPLF program on certain adjustments to an IDI's assessment rate, provide an offset to an IDI's assessment for the increase to its assessment base attributable to participation in the PPPLF, and remove the effect of participation in the PPPLF program when classifying IDIs as small, large, or highly complex for assessment purposes.

On June 26, 2020, the FDIC published a final rule modifying its deposit insurance assessments rule to mitigate the effects of participation in the PPP and the PPPLF on IDIs.<sup>22</sup> After the FDIC considered the comments on the proposed rule, the final rule provides an offset to an IDI's assessment amount for the increase to its assessment base attributable to participation in the PPP rather than to participation in the PPPLF as had been proposed.

#### *Call Report Revisions*

Starting with the June 30, 2020, report date, institutions would report the outstanding balances of their PPP loans held for investment or held for sale in the appropriate loan category in Schedule RC-C, Part I, and, as applicable, in other Call Report schedules in which loan data are reported. The outstanding balance of such PPP

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<sup>21</sup> 85 FR 30649 (May 20, 2020). As discussed in Section II.A.2 above, the FDIC's proposed rule also would modify its deposit insurance assessment rules to mitigate the effects of participation in the MMLF on IDIs.

<sup>22</sup> 85 FR 38282 (June 26, 2020).

loans pledged to the Board's liquidity facility would be included in Schedule RC-C, Part I, Memorandum item 14, "Pledged loans and leases." Any PPP loans held for trading would be reported by all institutions on the Call Report balance sheet in Schedule RC, item 5, with the fair value and amortized cost of such loans reported by loan category in Schedule RC-D, Trading Assets and Liabilities, by institutions required to complete this schedule on the FFIEC 031 and the FFIEC 041. The outstanding balance of PPP loans held for trading that are pledged to the Board's liquidity facility would be included in Schedule RC-D, Memorandum item 4.b, "Pledged loans," on the FFIEC 031.

For regulatory capital reporting purposes, the balance sheet amounts of PPP loans should be reported in both Column A (Totals From Schedule RC) and Column C (0% risk-weight category) of the corresponding balance sheet asset categories of Schedule RC-R, Part II, (i.e., in items 4, 5, and 7, as appropriate).<sup>23</sup> The quarterly average amount of PPP loans pledged to the Board's liquidity facility would be included as a deduction in Schedule RC-R, Part I, item 29, "LESS: Other deductions from (additions to) assets for leverage ratio purposes," and thus excluded from Schedule RC-R, Part I, item 30, "Total assets for the leverage ratio."

Borrowings from Federal Reserve Banks under the PPPLF would be included in Schedule RC, item 16, "Other borrowed money;" the appropriate subitems of Schedule RC-M, item 5.b, "Other borrowings," based on their remaining maturity; and Schedule RC-M, item 10.b, "Amount of 'Other borrowings' that are secured."

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<sup>23</sup> Reporting in Schedule RC-R, Part II, applies only to institutions that do not have a community bank leverage ratio framework election in effect as of the quarter-end report date, as reported in Schedule RC-R, Part I, item 31.a.

In addition, to implement the modifications to its deposit insurance assessment rules, the FDIC would remove the quarter-end balance sheet amount of PPP loans from an IDI's total assets and average total consolidated assets in certain risk measures and adjustments used to calculate the IDI's assessment rate. Furthermore, the FDIC would remove PPP loans from an IDI's loan portfolio in measures used to calculate its assessment rate.

Since PPP loans, regardless of whether they are pledged to the liquidity facility, receive a zero percent risk weight, the reporting treatment described above for PPP loans effectively means that these loans are not included in the standardized total risk-weighted assets reported in Schedule RC-R. Similarly, advanced approaches banking organizations would not reflect PPP loans in "total risk-weighted assets" reported in Schedule RC-R, Part I, item 48.b.

Institutions subject to the supplementary leverage ratio requirement would report their adjusted "Total leverage exposure" and "Supplementary leverage ratio" in Schedule RC-R, Part I, items 55.a and 55.b, respectively. These institutions would adjust their existing calculations of "Total leverage exposure" by excluding PPP loans pledged to the Board's liquidity facility. The instructions for item 55.a would be revised to state that institutions should measure their total leverage exposure in accordance with section 10(c)(4) of the regulatory capital rules and section 305 of these rules for exposures related to the Board's liquidity facility.

In addition, in connection with their missions to supervise institutions, the agencies need to understand the number and total balance of PPP loans, as well as the amount and quarterly average of PPP loans pledged under the Board's liquidity facility.



Therefore, the agencies requested and received emergency approvals from OMB to add four new data items to the Call Report to collect this information.

Accordingly, starting with the June 30, 2020, report date, institutions will begin to report the total number of PPP loans outstanding; the total outstanding balance of PPP loans; the total outstanding balance of PPP loans pledged to the Board's liquidity facility; and the quarterly average amount of PPP loans pledged to the Board's liquidity facility and excluded from average total assets in the calculation of the leverage ratio in Schedule RC-R, Part I. These items have been added to Schedule RC-M as items 17.a, 17.b, 17.c, and 17.e.

In addition, in connection with the FDIC's final rule to mitigate the deposit insurance assessment effects of participation in the PPP and the PPPLF on IDIs, the FDIC needs to collect information on outstanding borrowings under the PPPLF. Starting with the June 30, 2020, reporting period, the outstanding balance of borrowings from Federal Reserve Banks under the PPPLF with a remaining maturity of one year or less and the outstanding balance of borrowings from the Federal Reserve Banks under the PPPLF with a remaining maturity of more than one year would be reported in new items 17.d.(1) and 17.d.(2) of Schedule RC-M, respectively.

The collection of the six data items related to PPP loans and the PPPLF is expected to be time-limited. The agencies plan to propose to discontinue the collection of each item once the aggregate industry activity has diminished to a point where

individual institution information is of limited practical utility and is no longer needed for assessment purposes, where applicable.<sup>24</sup>

#### *FFIEC 101 Revisions*

Starting with the June 30, 2020, report date, advanced approaches banking organizations would not include PPP loans in “total risk-weight assets” under the advanced approaches reported in the FFIEC 101, Schedule A, item 60. Since these loans already receive a zero percent risk weight, PPP loans are effectively excluded from advanced approaches total risk-weighted assets under the current capital rule.

For banking organizations subject to the supplementary leverage ratio requirement that file the FFIEC 101, PPP loans pledged to the Board’s liquidity facility would be deducted as part of the calculation of total leverage exposure for the supplementary leverage ratio. The outstanding balance of PPP loans would continue to be reported in SLR Table 1, item 1.1, “Total consolidated assets as reported in published financial statements,” and Table 2, item 2.1, “The balance sheet carrying value of all on-balance sheet assets.” A banking organization calculating its supplementary leverage ratio also would include the average amount of PPP loans pledged to the PPPLF as of each day of the reporting quarter in SLR Table 1, item 1.7.c, “Adjustments for deductions of qualifying central bank deposits for custodial banking organizations,” and in SLR Table 2, item 2.2.b, “Deductions of qualifying central bank deposits from total on-balance sheet exposures for custodial banking organizations,” even if a banking organization is not a custodial banking organization.

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<sup>24</sup> These new items will be reviewed in connection with the statutorily mandated review of the Call Report. See footnote 13.

### *FFIEC 002 Revisions*

In connection with the FDIC's deposit insurance assessments proposed rule, the Board requested and received emergency approval from OMB for FDIC-insured branches to separately report in Schedule O, Other Data for Deposit Insurance Assessments, Memorandum item 6, the quarterly average amount of PPP loans pledged to the PPPLF starting with the FFIEC 002 report as of the June 30, 2020, report date.

In connection with the FDIC's deposit insurance assessments final rule, the Board requested and received emergency approval from OMB to change the information separately reported by FDIC-insured branches in Schedule O, Other Data for Deposit Insurance Assessments, Memorandum item 6, from the quarterly average of PPP loans pledged to the PPPLF to the quarter-end amount of PPP loans starting with the FFIEC 002 report as of the September 30, 2020, report date. The collection of this item would be time-limited. The agencies would expect to propose to discontinue the collection of this item once individual institution information is no longer needed for deposit insurance assessment purposes.<sup>25</sup>

## **6. Board Regulation D Amendments**

The Board published in the *Federal Register* on April 28, 2020, an interim final rule that amends the Board's Regulation D (Reserve Requirements of Depository Institutions).<sup>26</sup> The interim final rule amends the "savings deposit" definition in Regulation D by deleting the six-transfer-limit provisions in this definition that require depository institutions either to prevent transfers and withdrawals in excess of the limit or

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<sup>25</sup> Findings from the statutorily mandated review of the Call Report will also be used for evaluating the FFIEC 002 new items. See footnote 13.

<sup>26</sup> 85 FR 23445.

to monitor savings deposits ex post for violations of the limit. The interim final rule also makes conforming changes to other definitions in Regulation D that refer to “savings deposit” as necessary.

The interim final rule permits, but does not require, depository institutions to immediately suspend enforcement of the six-transfer limit and allow their customers to make an unlimited number of convenient transfers and withdrawals from their savings deposits. The interim final rule also does not require any changes to the deposit reporting practices of depository institutions.

To implement the interim final rule, the agencies temporarily revised the instructions to the Call Reports and the FFIEC 002 via emergency approvals from OMB to reflect the revised definition of “savings deposits” in Regulation D, beginning with reports for the June 30, 2020, report date. Specifically, the agencies published supplemental instructions to the Call Reports<sup>27</sup> and the FFIEC 002,<sup>28</sup> which include temporary revisions to the General Instructions for Call Report Schedule RC-E and FFIEC 002 Schedule E, as well as the Glossary entries for “Deposits” in the Call Report and the FFIEC 002 instructions, to remove references to the six-transfer limit. In addition, the supplemental instructions temporarily revised the General Instructions for Call Report Schedule RC-E and FFIEC 002 Schedule E to state that if a depository institution chooses to suspend enforcement of the six-transfer limit on a “savings deposit,” the depository institution may continue to report that account as a “savings

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<sup>27</sup> 2Q2020 COVID-19 Related Supplemental Instructions (Call Report), [https://www.ffiec.gov/pdf/FFIEC\\_forms/FFIEC031\\_FFIEC041\\_FFIEC051\\_suppinst\\_COVID\\_202006.pdf](https://www.ffiec.gov/pdf/FFIEC_forms/FFIEC031_FFIEC041_FFIEC051_suppinst_COVID_202006.pdf).

<sup>28</sup> 2Q2020 COVID-19 Related Supplemental Instructions (FFIEC 002), [https://www.ffiec.gov/pdf/FFIEC\\_forms/FFIEC002\\_suppinst\\_COVID\\_202006.pdf](https://www.ffiec.gov/pdf/FFIEC_forms/FFIEC002_suppinst_COVID_202006.pdf).

deposit” or may instead choose to report that account as a “transaction account” based on an assessment of certain characteristics of the account.

#### *Call Reports and FFIEC 002 Revisions*

The agencies are revising the instructions to the Call Reports and the FFIEC 002 to reflect the revised definition of “savings deposits” in accordance with the amendments to Regulation D in the interim final rule, starting with the June 30, 2020, report date. Specifically, the agencies are revising the General Instructions for Call Report Schedule RC-E and FFIEC 002 Schedule E, as well as the Glossary entries for “Deposits” in the Call Report and FFIEC 002 instructions, to remove references to the six-transfer limit from descriptions of “savings deposits.”

In the interim final rule, the Board amended the “savings deposit” definition in Regulation D to allow customers to be able to access savings deposits more easily. However, the agencies recognize that the corresponding temporary revisions to the instructions for the Call Reports and the FFIEC 002 created a reporting option that could result in the collection of ambiguous data by allowing a depository institution to report a savings deposit as either a “savings deposit” or a “transaction account” if the institution suspends enforcement of the six-transfer limit. To resolve this potential issue, the agencies propose to remove the reporting option and require instead that a depository institution report each account as a “savings deposit” or a “transaction account” based on the institution’s assessment of account characteristics. Specifically, the agencies propose to revise the General Instructions for Call Report Schedule RC-E and FFIEC 002 Schedule E, effective for reporting beginning in the first quarter of 2021, to state that where the reporting institution has suspended the enforcement of the six-transfer limit

rule on an account that otherwise meets the definition of a savings deposit, the institution must report such deposits as a “savings deposit” (and as a “nontransaction account”) or a “transaction account” based on an assessment of the following characteristics:

- (i) If the reporting institution does not retain the reservation of right to require at least seven days’ written notice before an intended withdrawal, the account must be reported as a demand deposit (and as a “transaction account”).
- (ii) If the reporting institution retains the reservation of right to require at least seven days’ written notice before an intended withdrawal and the depositor is eligible to hold a NOW account, the account must be reported as an ATS account, NOW account, or a telephone and preauthorized transfer account (and as a “transaction account”).
- (iii) If the reporting institution retains the reservation of right to require at least seven days’ written notice before an intended withdrawal and the depositor is ineligible to hold a NOW account, the account must be reported as a savings deposit (and as a “nontransaction account”).

The agencies anticipate that there will be no measurable increase in burden associated with these proposed revisions. The agencies may consider further modifying the treatment of “savings deposits” and “transaction accounts” in the instructions for the Call Report and the FFIEC 002 after a review of the reported data. Any such changes would be proposed by the agencies through a separate *Federal Register* notice pursuant to the PRA.

## **7. Loans to Executive Officers, Directors, and Principal Shareholders**

Under section 22(h) of the Federal Reserve Act and the Board’s Regulation O (12 CFR 215), extensions of credit to insiders<sup>29</sup> are subject to quantitative limits, prior approval requirements by an institution’s board, and qualitative requirements concerning loan terms.<sup>30</sup> On April 22, 2020, the Board issued an interim final rule that excepts certain loans that are guaranteed under the SBA’s PPP from the requirements of section 22(h) of the Federal Reserve Act and the corresponding provisions of the Board's Regulation O.<sup>31</sup> The interim final rule states that the Board has determined that PPP loans pose minimal risk because the SBA guarantees PPP loans at 100 percent of principal and interest and that PPP loans have fixed terms prescribed by the SBA. Accordingly, the interim final rule states that PPP loans will not be subject to section 22(h) or the corresponding provisions of Regulation O provided they are not prohibited by SBA lending restrictions.

The agencies currently collect data on the number and outstanding balance of all “extensions of credit” to the reporting institution’s executive officers, directors, principal shareholders, and their related interests that meet the definition of this term in Regulation O. This information is collected in Call Report Schedule RC-M, items 1.a and 1.b. Call Report instructions refer to Regulation O for guidance in reporting extensions of credit to insiders in these items. In response to the changes to Regulation O, the agencies have revised the Call Report instructions effective as of the June 30, 2020, report date to note the PPP loan exception that has been added to

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<sup>29</sup> “*Insider* means an executive officer, director, or principal shareholder, and includes any related interest of such a person.” 12 CFR 215.2(h).

<sup>30</sup> 12 CFR 215.4.

<sup>31</sup> 85 FR 22345 (April 22, 2020).

Regulation O and clarify that PPP loans should not be reported in items 1.a and 1.b of Schedule RC-M. PPP loans did not exist in the first quarter of 2020, so the current reporting on Call Report Schedule RC-M does not include these loans. Therefore, the agencies do not believe that revising the instructions for this exception would change burden, as institutions would not need to revise the existing amounts reported in Schedule RC-M, items 1.a and 1.b, in response to this change to Regulation O.

## **8. Temporary Exclusions from the Supplementary Leverage Ratio**

On April 14, 2020, the Board published in the Federal Register an interim final rule to temporarily exclude U.S. Treasury Securities (Treasuries) and deposits in their accounts at Federal Reserve Banks (deposits at Federal Reserve Banks) from total leverage exposure for bank holding companies, savings and loan holding companies, and intermediate holding companies subject to the supplementary leverage ratio through March 31, 2021.<sup>32</sup>

On June 1, 2020, the agencies published in the Federal Register an interim final rule (Depository Institution SLR IFR) to provide depository institutions subject to the supplementary leverage ratio the ability to temporarily exclude Treasuries and deposits at Federal Reserve Banks from total leverage exposure.<sup>33</sup> An electing depository institution must notify its primary Federal banking regulator of its election within 30 days after the interim final rule is effective. The interim final rule will terminate after March 31, 2021.

### *Call Report Revisions*

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<sup>32</sup> 85 FR 20578

<sup>33</sup> 85 FR 32980 (June 1, 2020).



Depository institutions subject to the supplementary leverage ratio report Treasuries not held for trading in Schedule RC-B, item 1, “U.S. Treasury securities,” and those held for trading in Schedule RC, item 5, “Trading assets” (and, if applicable, in Schedule RC-D, item 1, “U.S. Treasury securities”). Such depository institutions report deposits at Federal Reserve Banks in Schedule RC-A, item 4, “Balances due from Federal Reserve Banks.”

Starting as of the June 30, 2020, report date, advanced approaches and Category III depository institutions that elect to opt into these temporary exclusions would exclude Treasuries and deposits at Federal Reserve Banks reported in the items identified above from Schedule RC-R, Part I, item 55.a, “Total leverage exposure.” Custodial banking organizations will also be able to deduct from total leverage exposure deposits with qualifying foreign central banks reported as part of Schedule RC-A, item 3, “Balances due from banks in foreign countries and foreign central banks,” subject to the limits in the Section 402 rule,<sup>34</sup> in addition to the deductions under this interim final rule. For purposes of reporting the supplementary leverage ratio as of June 30, 2020, electing depository institutions may reflect the exclusion of Treasuries and deposits at Federal Reserve Banks from total leverage exposure as if this interim final rule had been in effect for the entire second quarter of 2020. The instructions for item 55.a would be revised to state that institutions should measure their total leverage exposure in accordance with section 10(c)(4) of the regulatory capital rules and, for electing advanced approaches and

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<sup>34</sup> The agencies recently issued a final rule, effective April 1, 2020, which implements section 402 of the Economic Growth, Regulatory Relief, and Consumer Protection Act by amending the capital rule to allow a banking organization that qualifies as a custodial banking organization to exclude from total leverage exposure deposits at qualifying central banks, subject to limits (Section 402 rule). 85 FR 4569 (January 27, 2020).

Category III depository institutions, the applicable section of these rules for Treasuries and deposits at Federal Reserve Banks (section 303 for institutions supervised by the Board; section 304 for institutions supervised by the OCC or the FDIC). The temporary exclusions from total leverage exposure are available through the March 31, 2021, report date.

#### *FFIEC 101 Revisions*

For top-tier advanced approaches and Category III bank holding companies, savings and loan holding companies, and intermediate holding companies (and top-tier advanced approaches and Category III depository institutions that elect to opt into these temporary exclusions), Treasuries and deposits at Federal Reserve Banks would continue to be reported in the FFIEC 101, Schedule A, SLR Table 1, item 1.1, “Total consolidated assets as reported in published financial statements,” and Table 2, item 2.1, “The balance sheet carrying value of all on-balance sheet assets.” Starting as of the June 30, 2020, report date, the average amount of Treasuries and deposits at Federal Reserve Banks calculated as of each day of the reporting quarter also would be reported in SLR Table 1, item 1.7.c, “Adjustments for deductions of qualifying central bank deposits for custodial banking organizations,” and in SLR Table 2, item 2.2.b, “Deductions of qualifying central bank deposits from total on-balance sheet exposures for custodial banking organizations,” even if a holding company or an electing depository institution is not a custodial banking organization.<sup>35</sup> For purposes of reporting the supplementary leverage ratio as of June 30, 2020, holding companies and electing depository institutions would

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<sup>35</sup> A holding company or electing depository institution may not deduct on-balance Treasuries in SLR Table 2, item 2.12, “Gross assets for repo-style transactions, with no recognition of netting,” if it already reports such on-balance sheet Treasuries in SLR Table 2, item 2.2.b.

be permitted the exclusion of Treasuries and deposits at Federal Reserve Banks from total leverage exposure as if these interim final rules had been in effect for the entire second quarter of 2020. The temporary exclusions from total leverage exposure would be available through the March 31, 2021, report date.

Custodial banking organizations would also be able to deduct from total leverage exposure deposits with qualifying foreign central banks, subject to the limits in the Section 402 rule, in addition to the deductions of Treasuries and deposits at Federal Reserve Banks under these interim final rules.

## **B. Revisions Related to Section 4013 of the CARES Act**

As provided for under the CARES Act, a financial institution may account for an eligible loan modification either under Section 4013 or in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 310-40, Receivables—Troubled Debt Restructurings by Creditors. If a loan modification is not eligible under Section 4013, or if the institution elects not to account for the loan modification under Section 4013, the financial institution should evaluate whether the modified loan is a troubled debt restructuring (TDR) under ASC Subtopic 310-40.

To be an eligible loan under Section 4013 (Section 4013 loan), a loan modification must be (1) related to COVID-19; (2) executed on a loan that was not more than 30 days past due as of December 31, 2019; and (3) executed between March 1, 2020, and the earlier of (A) 60 days after the date of termination of the National Emergency or (B) December 31, 2020.

Financial institutions accounting for eligible loans under Section 4013 are not required to apply ASC Subtopic 310-40 to the Section 4013 loans for the term of the loan

modification. Financial institutions do not have to report Section 4013 loans as TDRs in regulatory reports.

#### *Call Report and FFIEC 002 Revisions*

Consistent with Section 4013, the agencies requested and received emergency approvals from OMB to add two new data items for Section 4013 loans to the Call Report and FFIEC 002, which would be collected quarterly beginning with the June 30, 2020, report date, with the collection of these items expected to be time-limited. These new items, Memorandum item 17.a, “Number of Section 4013 loans outstanding,” and Memorandum item 17.b, “Outstanding balance of Section 4013 loans,” would be added to Call Report Schedule RC-C, Part I, Loans and Leases, and Memorandum item 5.a, “Number of Section 4013 loans outstanding,” and Memorandum item 5.b, “Outstanding balance of Section 4013 loans,” would be added to FFIEC 002 Schedule C, Part I, Loans and Leases. These items would enable the agencies to monitor individual institutions’ and the industry’s use of the temporary relief provided by Section 4013 as well as the volume of loans modified in accordance with Section 4013. The agencies plan to propose to discontinue the collection of these specific items once the aggregate industry activity has diminished to a point where individual institution information is of limited practical utility.<sup>36</sup>

The agencies will collect institution-level and branch-and-agency-level Section 4013 loan information in the Call Report and the FFIEC 002 on a confidential basis. While the agencies generally make institution-level Call Report and branch-and-agency-

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<sup>36</sup> These new Call Report items will be reviewed in connection with the statutorily mandated review of the Call Report. Findings from the statutorily mandated Call Report review will also be used for evaluating the FFIEC 002 new items. See footnote 13.

level FFIEC 002 data publicly available, the agencies are collecting Section 4013 loan information as part of condition reports for the impacted entities and the agencies believe disclosure of these items at the institution level would not be in the public interest.<sup>37</sup> Such information is permitted to be collected on a confidential basis, consistent with 5 U.S.C. 552(b)(8).<sup>38</sup>

The public disclosure of supervisory information on Section 4013 loans could have a detrimental impact on financial institutions offering modifications under this provision to borrowers that need relief due to COVID-19. Financial institutions may be reluctant to offer modifications under Section 4013 if information on these modifications made by each institution is publicly available, as analysts, investors, and other users of public Call Report and FFIEC 002 information may penalize an institution for using the relief provided by the CARES Act. The agencies have encouraged financial institutions to work with their borrowers during the National Emergency related to COVID-19, including use of the relief under Section 4013.<sup>39</sup>

The agencies may disclose Section 4013 loan data on an aggregated basis, consistent with confidentiality.

## **C. Revisions Related to U.S. GAAP**

### **1. Provisions for Credit Losses on Off-Balance-Sheet Credit Exposures**

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<sup>37</sup> 12 U.S.C. 1464(v)(2).

<sup>38</sup> Exemption 8 of the Freedom of Information Act (FOIA) specifically exempts from disclosure information “contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use of an agency responsible for the regulation or supervision of financial institutions.”

<sup>39</sup> See “Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus (Revised)” (April 7, 2020), available at <https://www.occ.gov/news-issuances/news-releases/2020/nr-ia-2020-50a.pdf>.

On June 16, 2016, the FASB issued Accounting Standards Update No. 2016-13, Topic 326, *Financial Instruments – Credit Losses* (ASU 2016-13). Within Topic 326, paragraph 326-20-30-11 states, “An entity shall report in net income (as a credit loss expense) the amount necessary to adjust the liability for credit losses for management’s current estimate of expected credit losses on off-balance-sheet credit exposures.” Off-balance-sheet credit exposures include unfunded loan commitments, financial standby letters of credit, and financial guarantees not accounted for as insurance, and other similar instruments except for those within the scope of ASC Topic 815 on derivatives and hedging.

Throughout Topic 326, the FASB refers to provisions for credit losses as “credit loss expense.” For example, paragraph 326-20-30-1 states, “An entity shall report in net income (as a credit loss expense) the amount necessary to adjust the allowance for credit losses for management’s current estimate of expected credit losses on financial assets(s).” Thus, Topic 326 does not prohibit recording the adjustment to the liability for expected credit losses on off-balance-sheet credit exposures within the provisions for credit losses reported in the income statement.

The Call Report income statement instructions currently direct institutions that have adopted Topic 326 to report provisions for expected credit losses on off-balance-sheet credit exposures in Schedule RI, item 7.d, “Other noninterest expense,” and prohibit its inclusion in Schedule RI, item 4, “Provision for loan and lease losses.”<sup>40</sup> Therefore, to align regulatory reporting to the guidance within Topic 326, the agencies propose to

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<sup>40</sup> A footnote to Schedule RI, item 4, on the Call Report forms currently states, “Institutions that have adopted ASU 2016-13 should report in item 4 the provisions for credit losses on all financial assets that fall within the scope of the standard.”

change the Call Report instructions to direct institutions that have adopted Topic 326 to report provisions for expected credit losses on off-balance-sheet credit exposures as part of the total amount of institutions' provisions for credit losses in Schedule RI, item 4.<sup>41</sup> This Schedule RI instructional change would carry over to Schedule RI-D, Income from Foreign Offices, on the FFIEC 031.<sup>42</sup> These instructional changes would apply only to institutions that have adopted Topic 326.

The inclusion of provisions for expected credit losses on off-balance-sheet credit exposures in the provisions for credit losses presented in item 4 of the Call Report income statement will cause a loss of transparency within the overall reported amount of provisions for credit losses between provisions attributable to on- and off-balance-sheet credit exposures. To enhance transparency and differentiate these provisions, the agencies propose adding a new Memorandum item 7, "Provisions for credit losses on off-balance-sheet credit exposures," to Schedule RI-B, Part II, Changes in Allowances for Credit Losses, which will identify the portion of the overall amount of the provisions for credit losses reported in Schedule RI, item 4, attributable to the provisions for expected credit losses on off-balance-sheet credit exposures. Adding the new memorandum item to Schedule RI-B, Part II, will enable the agencies to monitor the underlying components of the total amount of an institution's provisions for credit losses (i.e., the separate provisions for expected credit losses attributable to loans and leases held for investment, held-to-maturity debt securities, AFS debt securities, other financial assets measured at

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<sup>41</sup> The existing footnote to Schedule RI, item 4, also would be revised in the same manner.

<sup>42</sup> The existing footnote to Schedule RI-D, item 3, would be revised in the same manner as the footnote to Schedule RI, item 4.

amortized cost, and off-balance-sheet credit exposures) and how these components change over time in relation to the amounts of the various categories of financial assets and off-balance-sheet credit exposures within the scope of ASC Topic 326.

In addition, footnote 5 on Schedule RI-B, Part II, item 5, “Provisions for credit losses,” will be updated to reflect “For institutions that have adopted ASU 2016-13, the sum of item 5, Column A through Column C, plus Schedule RI-B, Part II, Memorandum items 5 and 7, below, must equal Schedule RI, item 4.”

## **2. Expected Recoveries of Amounts Previously Charged Off Included within the Allowances for Credit Losses**

As noted above, the FASB issued ASU 2016-13 on June 16, 2016, which has been amended by subsequent FASB ASUs. Within Topic 326, paragraph 326-20-30-1 states, “The allowance for credit losses is a valuation account that is deducted from, or added to, the amortized cost basis of the financial asset(s) to present the net amount expected to be collected on the financial asset. Expected recoveries of amounts previously written off and expected to be written off shall be included in the valuation account and shall not exceed the aggregate of amounts previously written off and expected to be written off by an entity.” The terms “written off” as used in Topic 326 and “charged off” as used in Call Report instructions are used interchangeably in this discussion.

Under GAAP before an institution’s adoption of Topic 326, expected recoveries of amounts previously written off would not be included in the measurement of the allowance for loan and lease losses; recoveries would be recorded only when received. Under Topic 326, including expected recoveries of amounts previously written off within



allowances for credit losses reduces the overall amount of these allowances. Amounts related to an individual asset are written off or charged off when deemed uncollectible. However, under ASC Topic 326, institutions could, in some circumstances, reduce the amount of the allowance for credit losses that would otherwise be calculated for a pool of assets with similar risk characteristics that includes charged-off assets on the same day the charge-offs were taken by the estimated amount of expected recoveries of amounts written off on these assets. Reducing the allowance for credit losses by amounts of expected recoveries prior to collection effectively “reverses” a charge-off. Therefore, to provide transparency for amounts with inherently higher risk that, before an institution’s adoption of ASC Topic 326, were not allowed to be recorded until they were received, the agencies propose to add new Memorandum item 8 to Schedule RI-B, Part II, Changes in Allowances for Credit Losses, to capture the “Estimated amount of expected recoveries of amounts previously written off included within the allowance for credit losses on loans and leases held for investment (included in item 7, column A, ‘Balance end of current period,’ above).” This new item would be applicable to institutions only after they have adopted Topic 326.

Not including the proposed memorandum item for expected recoveries of amounts previously written off within the allowance for credit losses on loans and leases will cause a loss of transparency within the reported amount of this allowance between the portions of the allowance attributable to (1) expected credit losses on the amortized cost basis of loans and leases held for investment net of expected recoveries of amounts expected to be charged off in the future and (2) expected recoveries of loan and lease amounts previously charged off. Proposed new Memorandum item 8 will enhance

transparency and differentiate these amounts within the period-end balance of the allowance for credit losses on loans and leases by separately identifying the estimated amount within this allowance attributable to expected recoveries of amounts previously written off. This proposed new memorandum item will enable the agencies, including their examiners, and other Call Report users to better understand key components underlying institutions' allowance for credit losses on loans and leases (i.e., amounts for expected credit losses on the amortized cost basis of loans and leases held for investment and amounts for expected recoveries of amounts previously written off on such loans and leases) and how these components change over time. This information will assist the agencies and other users in monitoring amounts with inherently higher credit risk, and changes therein, that contribute to reductions in the overall amount of the allowance for credit losses on loans and leases. This proposed new memorandum item will apply to loans and leases held for investment because this is the Call Report category of financial assets that is expected to have the greatest amount of estimated expected recoveries of amounts previously written off.

### **3. Nonaccrual Treatment of Purchased Credit-Deteriorated Assets**

ASU 2016-13 introduced the concept of purchased credit-deteriorated (PCD) assets. PCD assets are acquired financial assets that, at acquisition, have experienced more-than-insignificant deterioration in credit quality since origination. When recording the acquisition of PCD assets, the amount of expected credit losses as of the acquisition date is recorded as an allowance and added to the purchase price of the assets rather than recording these acquisition date expected credit losses through provisions for credit losses. The sum of the purchase price and the initial allowance for credit losses (ACL)

establishes the amortized cost basis of the PCD assets at acquisition. Any difference between the unpaid principal balance of the PCD assets and the amortized cost basis of the assets as of the acquisition date is a noncredit discount or premium. The initial ACL and any noncredit discount or premium determined on a collective basis at the acquisition date are allocated to the individual PCD assets.

After acquisition, any noncredit discount or premium is accreted or amortized into interest income, as appropriate, over the remaining lives of the PCD assets on a level-yield basis. However, if a PCD asset is placed in nonaccrual status, institutions must cease accreting the noncredit discount or amortizing the noncredit premium into interest income consistent with the guidance in ASC paragraph 310-20-35-17.

The current instructions for Call Report Schedule RC-N, Past Due and Nonaccrual Loans, Leases, and Other Assets, provide an exception to the general rule for placing financial assets in nonaccrual status set forth in the Call Report Glossary entry for “Nonaccrual status” for purchased credit-impaired (PCI) assets. The instructions for FFIEC 002 Schedule N, Past Due, Nonaccrual, and Restructured Loans, include a similar exception for PCI assets. Topic 326 replaces the concept of PCI assets in previous GAAP with the concept of PCD assets.<sup>43</sup> Although there is some similarity between the concepts of PCI and PCD assets, these two concepts are not identical. Nevertheless, ASU 2016-13 provides that, upon adoption of Topic 326, all PCI assets will be deemed to be, and accounted for prospectively as, PCD assets. However, the Schedule RC-N

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<sup>43</sup> According to ASC paragraph 310-30-15-2, PCI assets, in general, are loans and debt securities with evidence of deterioration of credit quality since origination acquired by completion of a transfer for which it is probable, at acquisition, that the investor will be unable to collect all contractually required payments receivable.

instructions indicate that the nonaccrual exception for PCI assets was not extended to PCD assets by stating that “For purchased credit-deteriorated loans, debt securities, and other financial assets that fall within the scope of ASU 2016-13, nonaccrual status should be determined and subsequent nonaccrual treatment, if appropriate, should be applied in the same manner as for other financial assets held by an institution.”

As described in the Call Report Supplemental Instructions for March 2020, if an institution has adopted ASU 2016-13 and has a PCD asset, including a PCD asset that was previously a PCI asset or part of a pool of PCI assets, that would otherwise be required to be placed in nonaccrual status (see the Glossary entry for “Nonaccrual status”), the institution may elect to continue accruing interest income and not report the PCD asset as being in nonaccrual status if the following criteria are met:

- (1) the institution reasonably estimates the timing and amounts of cash flows expected to be collected, and
- (2) the institution did not acquire the asset primarily for the rewards of ownership of the underlying collateral, such as use of collateral in operations of the institution or improving the collateral for resale.

Additionally, these Call Report Supplemental Instructions state that when a PCD asset that meets the criteria above is not placed in nonaccrual status, the asset should be subject to other alternative methods of evaluation to ensure that the institution’s net income is not materially overstated. Further, an institution is not permitted to accrete the credit-related discount embedded in the purchase price of a PCD asset that is attributable to the acquirer’s assessment of expected credit losses as of the date of acquisition (i.e., the contractual cash flows the acquirer did not expect to collect at acquisition). Interest

income should no longer be recognized on a PCD asset to the extent that the net investment in the asset would increase to an amount greater than the payoff amount. If an institution is required or has elected to carry a PCD asset in nonaccrual status, the asset must be reported as a nonaccrual asset at its amortized cost basis in Call Report Schedule RC-N, column C.<sup>44</sup>

For PCD assets for which the institution has made a policy election to maintain a previously existing pool of PCI assets as a unit of account for accounting purposes upon adoption of ASU 2016-13, the determination of nonaccrual or accrual status should be made at the pool level, not at the individual asset level.

For a PCD asset that is not reported in nonaccrual status, the delinquency status of the PCD asset should be determined in accordance with its contractual repayment terms for purposes of reporting the amortized cost basis of the asset as past due in Schedule RC-N, column A or B, and in FFIEC 002 Schedule N, column A or B, as appropriate. If the PCD asset that is not reported in nonaccrual status consists of a pool of loans that were previously PCI assets that is being maintained as a unit of account after the adoption of ASU 2016-13, delinquency status should be determined individually for each loan in the pool in accordance with the individual loan's contractual repayment terms.

The agencies are proposing to update the Call Report and FFIEC 002 instructions to revise the nonaccrual treatment for PCD assets to provide institutions the option to not report PCD assets in nonaccrual status if they meet the criteria described above. The

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<sup>44</sup> Similarly, in the FFIEC 002, any PCD loans in nonaccrual status would be reported in Schedule N, column C.

instructions also would incorporate the other reporting guidance for PCD assets in the Call Report Supplemental Instructions for March 2020 described above.

#### **4. Last-of-Layer Hedging**

In ASU No. 2017-12, Derivatives and Hedging (Topic 815)–Targeted Improvements to Accounting for Hedging Activities, the FASB added the last-of-layer method to its hedge accounting standards to lessen the difficulties institutions encountered under existing accounting rules when seeking to enter into a fair value hedge of the interest rate risk of a closed portfolio of prepayable financial assets or one or more beneficial interests secured by a portfolio of prepayable financial instruments. Typically, prepayable financial assets would be loans and AFS debt securities.<sup>45</sup> Under ASU 2017-12, there are no limitations on the types of qualifying assets that could be grouped together in a last-of-layer hedge other than meeting the following two criteria: (1) they must be prepayable financial assets that have a contractual maturity date beyond the period being hedged and (2) they must be eligible for fair value hedge accounting of interest rate risk (for example, fixed-rate instruments). For example, fixed-rate residential mortgages, auto loans, and collateralized mortgage obligations could all be grouped and hedged together in a single last-of-layer closed portfolio. For a last-of-layer hedge, ASC paragraph 815-10-50-5B states that an institution may need to allocate the related fair value hedge basis adjustment (FVHBA) “to meet the objectives of disclosure requirements in other Topics.” This ASC paragraph then explains that the institution “may allocate the basis adjustment on an individual asset basis or on a portfolio basis using a systematic and rational method.” Due to the aggregation of assets in a last-of-

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<sup>45</sup> Prepayable held-to-maturity debt securities do not qualify for last-of-layer hedging.

layer closed portfolio, institutions may find it challenging to allocate the related FVHBA to the individual loan or AFS debt security level when necessary for financial reporting purposes.

In March 2018, the FASB added a project to its agenda to expand last-of-layer hedging to multiple layers, thereby providing more flexibility to entities when applying hedge accounting to a closed portfolio of prepayable assets. In connection with this project, the FASB anticipated that there would be diversity in practice if entities were required to allocate portfolio-level, last-of-layer FVHBAs to more granular levels, which in turn could potentially hamper data quality and comparability. In addition, the allocation would increase operational burden on institutions with little, if any, added value to risk management or to users of the financial statements. As such, for financial reporting purposes, the FASB Board has tentatively decided that it would require these FVHBAs to be presented as a reconciling item, i.e., in the aggregate for loans and AFS debt securities, in disclosures required by other areas of GAAP.<sup>46</sup>

#### *Call Report Revisions*

For regulatory reporting purposes, the agencies are proposing similar treatment for last-of-layer FVHBAs on Call Report Schedule RC-C, Part I, Loans and Leases, and Schedule RC-B, Securities. As such, following the FASB's adoption of a final last-of-layer hedge accounting standard, the instructions for Schedule RC-C, Part I, item 11, "LESS: Any unearned income on loans reflected in items 1-9 above," would be revised to

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<sup>46</sup> The tentative decision was made at the FASB Board meeting on October 16, 2019. The Board meeting minutes are available at [https://www.fasb.org/jsp/FASB/Document\\_C/DocumentPage&cid=1176173617941](https://www.fasb.org/jsp/FASB/Document_C/DocumentPage&cid=1176173617941). Currently, no exposure draft or ASU associated with this project has been issued.

explicitly state that last-of-layer FVHBAs associated with the loans reported in Schedule RC-C, Part I, should be included in this item.

In addition, the agencies are proposing on Schedule RC-B, Securities, to rename existing item 7, “Investments in mutual funds and other equity securities with readily determinable fair values,” as “Unallocated last-of-layer fair value hedge basis adjustments.” Institutions would report amounts for last-of-layer FVHBAs on AFS debt securities only in item 7, column C, “Available-for-sale: Amortized Cost.” To note, only a small number of institutions that have not yet adopted ASU 2016-01, which includes provisions governing the accounting for investments in equity securities, continue to report amounts in item 7. Because all institutions are required to adopt ASU 2016-01 for Call Report purposes by the December 31, 2020, report date, the agencies had previously determined that existing item 7 in Schedule RC-B would no longer be applicable to institutions for reporting purposes and could be removed as of that report date.<sup>47</sup> Thus, the need for a new item in Schedule RC-B for reporting unallocated FVHBAs applicable to AFS debt securities following the FASB’s adoption of a final last-of-layer hedge accounting standard can be readily accommodated through the redesignation of existing item 7, column C, for this purpose.

#### *FFIEC 002 Revisions*

The agencies are also proposing similar treatment for last-of-layer FVHBAs on FFIEC 002 Schedule C, Part I, Loans, and Schedule RAL, Assets and Liabilities, Memorandum item 3.b, “Amortized cost of available-for-sale securities,” following the FASB’s adoption of a final last-of-layer hedge accounting standard. The instructions for

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<sup>47</sup> 83 FR 945-946 (January 8, 2018).



Schedule C, Part I, item 10, “LESS: Any unearned income on loans reflected in items 1-8 above,” would be revised to explicitly state that last-of-layer FVHBAs associated with the loans reported in Schedule C, Part I, should be included in this item.

In addition, the agencies are proposing to revise the FFIEC 002 instructions to state that institutions should report amounts for last-of-layer FVHBAs applicable to available-for-sale debt securities in Schedule RAL, Memorandum item 3.b, “Amortized cost of available-for-sale securities.”

#### **D. Revisions Related to International Remittance Transfers**

Section 1073 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act)<sup>48</sup> amended the Electronic Fund Transfer Act (EFTA)<sup>49</sup> to create comprehensive consumer protections for remittance transfers sent by consumers in the United States to individuals and businesses in foreign countries. The Bureau implemented these EFTA amendments through the Remittance Rule (12 CFR 1005.30 *et seq.*). EFTA and the Remittance Rule include a requirement that remittance transfer providers generally must disclose (both prior to and at the time the consumer pays for the transfer) the exact exchange rate that applies to a remittance transfer and the amount to be received by the designated recipient of the transfer. The Remittance Rule also requires remittance transfer providers to disclose certain fees and other information, among several other requirements.

A person that provides remittance transfers in the normal course of its business is a remittance transfer provider subject to the Remittance Rule’s requirements. Generally,

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<sup>48</sup> 12 U.S.C. 5601.

<sup>49</sup> 15 U.S.C. 1693 *et seq.*

whether a person provides remittance transfers in the normal course of its business depends on the facts and circumstances, such as the number and frequency of the remittance transfers the person provides. However, the Remittance Rule as originally adopted contained a safe harbor whereby a person that provided 100 or fewer remittance transfers in each of the previous and current calendar years was deemed not to be providing remittance transfers in the normal course of its business, and therefore was outside of the Remittance Rule's coverage.

The EFTA and the Remittance Rule also contain exceptions that permit some remittance transfer providers to estimate certain information in the required disclosures in certain circumstances. Of relevance to the current Call Reports, as discussed in greater detail below, there is a "temporary exception" that permits certain insured institutions<sup>50</sup> to estimate certain fees and the exchange rate (and information that depends on the fees and exchange rate) in their disclosures if certain conditions are met. Importantly, EFTA section 919 expressly limits the length of the temporary exception to July 21, 2020. As a result, the temporary exception will expire on July 21, 2020.

In 2014, item 16 was added to Schedule RC-M of the FFIEC 031 and FFIEC 041 Call Reports, citing Section 1073 of the Dodd-Frank Act and the Remittance Rule.<sup>51</sup> In supporting the inclusion of this new item in the Call Reports, the agencies "stated that the new item regarding remittance transfers could facilitate monitoring of market entry and exit, which would improve understanding of the consumer payments landscape generally,

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<sup>50</sup> The term "insured institution" refers to "an insured depository institution, as defined in section 1813 of title 12, or an insured credit union, as defined in section 1752 of title 12." 15 U.S.C. 1693o-1(a)(4)(A).

<sup>51</sup> 79 FR 2509 (Feb. 14, 2014). Item 16 was later incorporated into the FFIEC 051 Call Report when that report was created.

and facilitate evaluation of the remittance transfer rule’s impact...[as well as] enable the FFIEC and the agencies to refine supervisory procedures and policies...[and] help inform any later policy decisions regarding remittance transfers and activities regarding remittance transfers that are mandated by section 1073 of the Dodd-Frank Act.”<sup>52</sup>

In 2018, the Bureau published its report of its Dodd-Frank-mandated assessment of the Remittance Rule (“Assessment Report”).<sup>53</sup> Based on information surfaced by the Bureau’s assessment as well as a subsequent Request for Information,<sup>54</sup> the Bureau proposed amendments to the Remittance Rule in 2019 (“Remittance Proposal” or “Proposal”).<sup>55</sup> The Remittance Proposal included a proposed effective date of July 21, 2020. On June 5, 2020, the Bureau published a Final Rule amending the Remittance Rule.<sup>56</sup>

Currently, Schedule RC-M, Memoranda, item 16, “International remittance transfers offered to consumers,” and its instructions are identical across the FFIEC 031, FFIEC 041, and FFIEC 051 Call Report forms. The item consists of four questions, two of which are further subdivided into four and three questions, for a total of nine different data points requested of respondents that meet certain criteria outlined in the current Call Report instructions.

Through the Remittance Proposal process, the Bureau identified certain proposed changes to the information collected in Schedule RC-M, item 16. These changes would

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<sup>52</sup> *Ibid.*

<sup>53</sup> Bureau, *Remittance Rule Assessment Report* (Oct. 2018, rev. Apr. 2019), [https://files.consumerfinance.gov/f/documents/bcfrp\\_remittance-rule-assessment\\_report\\_corrected\\_2019-03.pdf](https://files.consumerfinance.gov/f/documents/bcfrp_remittance-rule-assessment_report_corrected_2019-03.pdf)

<sup>54</sup> 84 FR 17971 (Apr. 29, 2019).

<sup>55</sup> 84 FR 67132 (Dec. 6, 2019).

<sup>56</sup> 85 FR 34870 (Jun. 5, 2020).

better align item 16 with the Remittance Rule as amended, as well as streamline reporting for respondents and reduce burden where appropriate. The agencies propose that revised item 16 would consist of two questions, one of which would be further subdivided into three questions, for a total of four different data points. Item 16.a would be renamed “Estimated number of international remittance transfers provided by your institution during the calendar year ending on the report date.” This data item would be proposed to be collected annually in the December Call Report only. Item 16.b.(1) through 16.b.(3) would be completed only by institutions that reported 501 or more international remittance transfers in Schedule RC-M, item 16.a, in either the current report or the report for the previous calendar year-end report date.<sup>57</sup> The revised items 16.b.(1) through (3) would request data on the estimated dollar value of remittance transfers provided by an institution during the calendar year ending on the report date and its usage during this same period of the permanent exceptions for insured institutions as incorporated into the Remittance Rule by the Bureau’s 2020 Final Rule. Specifically, an institution would report the following information in revised items 16.b.(1) through (3), if applicable:

- (1) Estimated dollar value of international remittance transfers;
- (2) Estimated number of international remittance transfers for which your institution applied the permanent exchange rate exception; and

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<sup>57</sup> For the transitional December 2021 Call Report only, an institution would complete Schedule RC-M, items 16.b.(1) through 16.b.(3), only if it reports 501 or more international remittance transfers in Schedule RC-M, item 16.a, in the December 2021 Call Report or it reported a combined total of 501 or more international remittance transfers in Schedule RC-M, item 16.d.(1), in the June and December 2020 Call Reports.

(3) Estimated number of international remittance transfers for which your institution applied the permanent covered third-party fee exception.

Consistent with the current instructions for reporting estimated numbers and dollar values for international remittance transfers in Schedule RC-M, item 16, the estimates reported in revised items 16.a and 16.b.(1) through (3) should be based on a reasonable and supportable methodology and the estimated dollar value of international remittance transfers, if required to be reported in item 16.b.(1), is not required to be estimated in thousands of dollars.

### **III. Timing**

The revisions associated with the interim final rules, the proposed and final deposit insurance assessments rule, and the CARES Act provisions have been approved by OMB through the emergency clearance process, and these revisions have taken effect for the March 31, 2020, Call Report and FFIEC 101 or the June 30, 2020, Call Report, FFIEC 101, and FFIEC 002, or will take effect for the September 30, 2020, FFIEC 002, as discussed in Sections II.A and B. For the additional proposed revisions to the Call Report and FFIEC 002 instructions that are related to the amendment of the Board's Regulation D, as discussed in section II.A, the agencies propose to make these revisions effective for reporting beginning in the first quarter of 2021.

For the accounting changes discussed in Section II.C, the agencies propose to make the revisions effective as of the March 31, 2021, report date, except for the revisions for last-of-layer hedging, which would be implemented following the FASB's adoption of a final last-of-layer hedge accounting standard. A final standard is not expected to be issued before the second half of 2021.

The agencies propose to make the revisions to Schedule RC-M for the international remittance transfer items discussed in Section II.D effective March 31, 2021.<sup>58</sup>

The agencies invite comment on any difficulties that institutions would expect to encounter in implementing the systems changes necessary to accommodate the proposed revisions to the Call Reports, FFIEC 101, and FFIEC 002 consistent with those effective dates.

The specific wording of the captions for the new or revised Call Report, FFIEC 101, and FFIEC 002 data items discussed in this proposal and the numbering of these data items should be regarded as preliminary.

#### **IV. Request for Comment**

Public comment is requested on all aspects of this joint notice. Comment is specifically invited on:

- (a) Proposed new Memorandum item 8, “Estimated amount of expected recoveries of amounts previously written off included within the allowances for credit losses on loans and leases held for investment (included in item 7, “Balance end of current period,” above),” would be added to Schedule RI-B, Part II, Changes in Allowances for Credit Losses.

- (1) Do institutions have information readily available on the estimated amount of these expected recoveries that is proposed to be collected? If not, what

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<sup>58</sup> Therefore, institutions will report current Schedule RC-M, item 16, in December 2020; will not report current Schedule RC-M, item 16, at all in June 2021; and will report the proposed revised Schedule RC-M, item 16, in December 2021 (covering all of calendar year 2021).

additional steps would institutions need to take to be able to report this estimated amount?

- (2) Although, as proposed, this item applies to the overall allowance for credit losses on loans and leases held for investment, would reporting institutions or users of allowance data prefer a different or more disaggregated collection of information on expected recoveries? If so, please provide specific reasons and describe the preferred different or more disaggregated collection.
- (b) Proposed changes for reporting last-of-layer FVHBAs would be made to Call Report Schedule RC-B, Securities, and Schedule RC-C, Part I, Loans and Leases, and FFIEC 002 Schedule RAL, Assets and Liabilities, and Schedule C, Part I, Loans and Leases, following the FASB's adoption of a final last-of-layer hedge accounting standard.
- (1) How do institutions that have implemented last-of-layer hedging under ASU 2017-12 currently report the FVHBAs associated with loans and AFS debt securities in the Call Report or the FFIEC 002?
  - (2) Do such institutions find it challenging to allocate these last-of-layer FVHBAs on an individual asset basis or on a portfolio basis for financial and regulatory reporting purposes? If so, please explain whether these challenges are greater for regulatory reporting than financial reporting purposes and describe the reasons for this.
  - (3) Should the agencies consider implementing the changes for reporting FVHBAs proposed in Section II.C.4 or some other interim reporting treatment for FVHBAs before the FASB's adoption of a final last-of-layer hedge accounting standard, provided the resulting reporting of FVHBAs would not

be inconsistent with GAAP? Please describe any suggested other interim reporting treatment.

- (c) Whether the proposed revisions to the collections of information that are the subject of this notice are necessary for the proper performance of the agencies' functions, including whether the information has practical utility;
- (d) The accuracy of the agencies' estimates of the burden of the information collections as they are proposed to be revised, including the validity of the methodology and assumptions used;
- (e) Ways to enhance the quality, utility, and clarity of the information to be collected;
- (f) Ways to minimize the burden of information collections on respondents, including through the use of automated collection techniques or other forms of information technology; and
- (g) Estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information.

Comments submitted in response to this joint notice will be shared among the agencies.

**Theodore J. Dowd,**

*Deputy Chief Counsel,*

*Office of the Comptroller of the Currency.*

Board of Governors of the Federal Reserve System.

**Michele Taylor Fennell,**

*Assistant Secretary of the Board.*



Federal Deposit Insurance Corporation.

Dated at Washington, DC, on July 16, 2020.

**James P. Sheesley,**

*Acting Assistant Executive Secretary.*

**BILLING CODE 4810-33-P, 6210-01-P, 6714-01-P**

[FR Doc. 2020-15788 Filed: 7/21/2020 8:45 am; Publication Date: 7/22/2020]